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RUEATRS/DEPT OF TREASURY WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 KINSHASA 000566

SIPDIS

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DEPT FOR DRL/IL-LHOLT AND AF/RSA-MHARPOLE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ENRG](#) [ELAB](#) [EAGR](#) [EAIR](#) [ETRD](#) [PGOV](#) [CG](#)

SUBJECT: DRC MARCH ECONOMIC REVIEW

1. (U) Summary  
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- The DRC's IMF Poverty Reduction and Growth Facility program lapsed March 31, without going to a sixth review.
- The GDRC widened its ban on the import of poultry products.
- Employees of Lignes Aeriennes Congolaises (LAC) objected to the parastatal's new partnership with a Spanish airline, Bravo Airlines.
- President Kabila replaced the Central Bank's Vice Governor and named new directors of two major national taxation entities.
- President Kabila released USD 2 million to support hydroelectric power plant construction in two provinces.
- Labor strife, including threatened strikes, continued in various public sectors.
- The DRC's Minister of Planning resigned March 16 from his post and political party, following the release of a draft Poverty Reduction Strategy Paper.
- Three DRC provinces are facing a corn meal scarcity.
- A World Bank's audit team is investigating allegations of corruption within two DRC agencies responsible for administering donor-funded projects.
- According to Post's market basket survey, March consumer prices decreased by 0.6 percent, and the 12-month market basket inflation average is 9.6 percent. End summary.

AVIAN INFLUENZA  
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12. (U) The GDRC has increased the number of countries from which it bans the import of poultry products. The increase is in step with the World Health Organization's expansion of the list of countries with confirmed outbreaks of the highly pathogenic avian influenza (HPAI). In mid-March, the GDRC sent samples from three suspected HPAI outbreaks in the DRC to a lab in Pretoria, South Africa; two samples were negative, but the GDRC has not received the results from the third sample.

AVIATION  
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13. (U) The European Union has banned 50 Congolese commercial airlines from taking off or landing passenger or cargo airplanes in the EU or operating within EU airspace, pursuant to a European Commission civil aviation panel's findings on air safety. The EU banned or restricted a total of 92 airlines. Hewa Bora is the only Congolese airline that is not subject to a complete ban; it is permitted to operate one specific aircraft in Europe.

¶4. (U) Employees of the parastatal Lignes Aeriennes Congolaises (formerly Air Zaire) are demanding that LAC withdraw from its partnership with the Spanish company Bravo. LAC, which has been essentially defunct since the early 1990s, recently launched a partnership with Bravo, which brought a Boeing 767 to the DRC. The employees, through their union, object to the partnership's agreement to reduce LAC's payroll, and they are claiming 13 years of salary arrears, despite the fact that they have not worked during this period.

#### FORESTRY

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¶5. (U) The Central African Forests Commission (COMIFAC) held a German-funded regional workshop in Kinshasa March 15-17 to discuss financing and implementation of its forest conservation plans.

#### INFRASTRUCTURE

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¶6. (U) DRC President Kabila released USD 2 million out of a promised USD 15 million to fund the construction of hydro-electric power plants in Katende, Western Kasai province and Kakobola, Bandundu province. The total project cost for the plants is estimated at USD 30 million. The GDRC has pledged USD 15 million, while the South African firm Clackson Power is to pay the other half.

#### LABOR

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KINSHASA 00000566 002 OF 003

¶7. (U) The employees of ONATRA (the Congolese port and western rail authority) are again threatening to strike over nonpayment of wages. Employees have not received their February and March wages.

¶8. (U) The employees of SNCC (the DRC's eastern and southern rail transporter) are on strike to protest at least 14 months of salary arrears. Employees of CMDC (the DRC's nearly defunct sea transport parastatal) were on strike for two days to claim their wage arrears of 15 to 30 months.

#### PUBLIC FINANCE AND TAXATION

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¶9. The IMF allowed the DRC's Poverty Reduction and Growth Facility program to lapse on March 31, rather than extending it through its latest possible date, June 11, 2006. The program's end means that the DRC will not receive a final USD 39 million disbursement to the Congolese Central Bank (BCC). The program began June 2002 and successfully passed through five reviews, but the IMF determined that the GDRC would not be able to meet all program conditions in time to pass a sixth review. The DRC and IMF are now in discussions for the setup of a staff-monitored program (septel to follow).

¶10. (U) Alexis Thambwe Mwamba, the Minister of Planning, resigned from his post and political party (MLC) March 16. Before leaving office, the mixed commission that he chaired released the first draft of its Poverty Reduction Strategy Paper (PSRP), a necessary part of the GDRC's efforts to arrive at the Heavily Indebted Poor Country's completion point, when a large lump-sum debt cancellation will occur. This draft must still be vetted and revised, based upon donors' group comments, and presented to the Council of Ministers for final GDRC approval, before it can be given to the IMF and the World Bank for approval. Initial reactions by Congolese and international partners have identified several major flaws in the draft strategy, and

at least for the time being, the draft has been ?withdrawn?  
for further review and revision.

¶11. (U) President Kabila replaced the BCC Vice Governor and named new directors of DGI (the DRC's income tax collection service), and DGRAD (the DRC's administrative fees collection service). The prior DGI and DGRAD directors were removed in late 2005 for alleged corruption and mismanagement, in the wake of a tax credit scandal. All three appointees are members of the PPRD party; MLC members previously held the DGI and DGRAD positions.

¶12. (U) A team from the World Bank's Department of Institutional Integrity was in Kinshasa to examine alleged corruption and irregular practices at BCECO and UCOP, two GDRC agencies responsible for administering donor-funded anti-poverty projects. The Ministries of Finance and Budget oversee these agencies.

#### TRADE -----

¶13. (U) The United Nations Conference on Trade and Development (UNCTAD) held a workshop entitled ?The Elimination of Service Sector Export Barriers? March 12-15 to promote multilateral trade and to discuss modernizing the DRC's economic and commercial compliance with WTO accords.

¶14. (U) Reports from the southern and central DRC provinces of Katanga, Western Kasai and Eastern Kasai indicate that the price of cornmeal, a dietary staple, has risen dramatically over the last month. This increase is due to the Zambian government's halt of maize exports ? Zambia is a major supplier of cornmeal to the DRC - and the National Railway Company's (SNCC) inability to provide reliable transport from Katanga to the Kasai provinces (see labor). At the same time, thousands of tons of maize are rotting at the DRC river port of Lisala, Equateur province, because of insufficient Congo River transport.

#### INFLATION -----

KINSHASA 00000566 003 OF 003

¶15. (U) Post's market basket survey recorded deflation of 0.6 percent. The inflation average for the last 12 months now stands at 9.6 percent.

#### EXCHANGE RATE -----

¶16. (U) Week ending  
02/28 03/1003/17 03/25  
CENTRAL BANK RATE432 439438 439  
PARALLEL MARKETS  
-KINSHASA440 445445 445  
-LUBUMBASHI450 450450 450  
-MBUJIMAYI450 450450 450  
-KISANGANI450 450450 450  
-GOMA450 450450 480  
-BUKAVU450 450450 450

#### MEECE

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